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NASA Procedural Requirements

COMPLIANCE IS MANDATORY

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Responsible Office: Office of the Chief Financial Officer

| [TOC](#) | [Preface](#) | [Chapter1](#) | [Chapter2](#) | [Chapter3](#) | [Chapter4](#) | [Chapter5](#) |
[Chapter6](#) | [AppendixA](#) | [AppendixB](#) | [AppendixC](#) | [AppendixD](#) | [AppendixE](#) |
[AppendixF](#) | [ALL](#) |

Chapter 4. Commitments, Obligations, and Expenditures

4.1 Overview

4.1.1 Agencies record commitments, incur obligations, and make expenditures to while executing the funded programs, projects, and activities. This chapter provides NASA's requirements for recording and reporting of these commitments, obligations, and expenditures.

4.2 Agency Requirements

4.2.1 All legal, regulatory, and Agency policy and requirements shall be met in the incurring and recording commitments, obligations, and expenditures.

4.3 Roles and Responsibilities

4.3.1 Any Officer or Employee Granted the Authority to Obligate the NASA to Expend Funds. Ensure that funds are available prior to entering into an obligation, that obligating documents reflect the applicable appropriation account and funding citation, and that obligations are valid in accordance with current policy.

4.3.2 Any Employee Recording Commitments, Obligations, or Expenditures in the Official Accounting System. Ensure that all documentation required to support a valid transaction has been received and that the transaction is recorded promptly and accurately.

4.4 Commitments

4.4.1 Commitments are budgetary and accounting actions taken to authorize and reserve funds for future obligations in the current fiscal year. This administrative reservation of allotment and resources authority is based on a documented anticipated future expenditure for known liabilities such as payroll or contingent liabilities, an approved requisition, procurement request, authorization to execute a contract, or other written evidence which authorizes the future creation of obligations without further recourse to the official responsible for certifying the availability of the allotment and resources authority. Commitments which are not obligated by the end of the fiscal year are deleted from the financial system.

4.4.2 There are specific policies and requirements which apply to the recording and reporting of commitments of appropriations available to NASA.

4.4.2.1 Since commitments are authorizations to incur obligations, the basic principles applicable to recording valid obligations are equally applicable to recording commitments. Therefore, commitments shall be incurred only for those proposed contracts to be entered into or orders to be placed for goods or services, which shall be executed with a bona fide intent that the contractor, or other performing activity, commence work and perform the contract without unnecessary delay.

4.4.2.2 Commitments are to be recorded promptly against allotments and other subdivisions of funds and must be adjusted promptly upon occurrence of any transaction which increases or decreases such commitments.

4.4.2.3 The availability of resources authority shall be determined before a commitment is incurred or a change is made which increases the amount of the original commitment. A completed procurement request, certifying that funds are available, shall be required prior to committing the Government to contract for products or services.

4.4.2.4 Commitment documentation shall be maintained in CFO accounting offices.

4.4.2.5 Commitments shall not be incurred in excess of available resources authorization at the level specified by the granting authority. Creation of commitments in excess of available resources authorization does not by itself necessarily constitute a violation of 31 USC 1341; however, creation of commitments in excess of available resources authorization may be subject to administrative discipline.

4.4.2.6 Complete and accurate reporting of commitments is also critical to providing the basis for management review of budgets, apportionment requests, reprogramming actions, and financial plans

4.4.3 In addition to these policies, there are those which apply to specific commitment areas, such as acquisition, contracts, and the procurement of goods and services.

4.4.3.1 Commitments shall be recorded only on the basis of appropriate documentary evidence consisting of firm requisitions, procurement requests, authorizations to issue orders, or other authorized written evidence signed by authorized persons, having the effect of firm orders, or authorizations, to enter into specific contracts or other obligations. The commitment document shall include the specific amount of the commitment, the signature of the fund certifying official, and the date the document was certified.

4.4.3.2 Anticipated obligations reflected in an approved program, financial operating

plan, or operating budget are not commitments until ratified by specific requisitions, purchase requests, or directives requiring commencement or procurement actions. Similarly, a commitment is not created and may not be recorded if the authorizing document indicates it is for planning purposes and the fund certifying official has not certified funds availability.

4.4.3.3 NASA Federal Acquisition Regulations (FAR) Supplement, Chapter 18, Subpart 1804.7301 requires that there be a certification of fund availability before an obligation is incurred. A variety of documents are used to inscribe an accounting certification that indicates availability of funds. These documents, if they meet the criteria of this chapter, are valid support for recording commitments. The amount to be recorded as a commitment initially is the amount for which fund availability has been certified and is based on the cost estimate set forth in the commitment document.

4.4.3.4 Commitment of funding for employment incentives and termination costs is the responsibility of the organization taking the action. The funding sources that may be used for these actions are described in Appendix F.

4.4.3.5 Each budget execution action used in the procurement and contract process and to acquire goods and services, must meet requirements prescribed by FAR, the ADA, and NASA policy.

4.4.3.6 Additional information on actions required for the commitment of funds for government contract procurement actions is provided in Appendix F.

4.5 Obligations

4.5.1 An obligation is any action that legally binds the Government to make an outlay or expenditure of funds immediately or in the future, and there are legal and regulatory requirements which govern obligations. There are also specific requirements which apply to the budget execution task of recording and reporting obligations for all funds available to NASA.

4.5.1.1 The apportioned amount and funds/budget authority received during the NASA funds distribution process limit the obligations that may be incurred. The amounts and purposes specified in appropriation acts, apportionment, allotments, and suballotments (if issued) identify the obligations that can be incurred without violating the ADA. Funds distributed as allowances and by allocating funding targets are also limited to the amounts and purposes specified, and violations are subject to administrative penalties. Allowances and allocations are only subject to the ADA if an overobligation or overexpenditure is of such a magnitude that it also violates an allotment or suballotment.

4.5.1.2 When obligations are incurred, it shall be recorded in the official accounting records when supported by documenting evidence of the occurrence of the event. Reporting and recording will involve the following actions.

a. An oral order or agreement shall be formalized in writing or conform to prescribed electronic standards in order to provide proper support and an audit trail for an obligation. Oral orders executed in this manner without a formal commitment of funds present a risk of violating the Antideficiency Act, should be promptly documented, and should be avoided to the maximum extent possible. In the event of an emergency situation, oral orders shall be conveyed to a contractor, supplier, grantee, or other

service provider by an appropriate authorizing official. Particular attention should be made to major procurement actions. Contractor performance/cost reports shall be promptly entered into the accounting system, and monitored to ensure that contractor costs reported do not exceed obligations. In those situations in which costs exceed obligations, a review of the circumstances shall be made promptly and corrective actions taken by the Agency.

b. Once incurred, all obligations and expenditures shall be recorded, accurately and promptly, as of the date incurred even if recordation results in amounts above fund availability. The accounting system shall provide the capability to record the transaction by placing it in a suspense status pending review and corrective actions. A violation resulting from an amount is caused by the actions of the individual(s) who caused or created the obligation. The recording of the obligation in the accounting system meets the fundamental requirement for the prompt recordation of all obligations, whether or not funding authority exists at the level of violation or at higher levels.

c. Adjustments in obligations may consist of recording changes to obligation amounts that existed in a prior period that may or may not have been identified and recorded during that period. If an adjustment causes total obligations for a prior period, after consideration of all known valid obligations and deobligations, to exceed the amount that was available for obligation for that prior period, a potential violation of subsections 1341(a) or 1517(a), or both, of Title 31, United States Code, may have occurred.

d. Each obligation action used on the procurement and contract process to acquire goods and services, and other needs for the Agency, must meet requirements prescribed by FAR, the ADA, and NASA policy.

e. Overobligation or overexpenditure of an allowance or allocated funding target is not a violation of the ADA unless it results in overobligation or overexpenditure of appropriation, apportionment, allotment, or suballotment but overobligations and overexpenditures are subject to administrative penalties.

f. Deobligated funds may be reobligated within the available period of the appropriation (unexpired phase). In the expired phase, unobligated funds, including those recovered through deobligation, are available only to cover appropriate adjustments for obligations in an expired account.

4.6 Expenditures.

4.6.1 When expenditures are incurred, they shall be recorded and reported in accordance with NASA accounting policies and shall meet requirements set forth in the ADA. Expenditures may not exceed obligations, and corrective action must be taken promptly to validate the expenditures and obligation if it appears that they have.

| [TOC](#) | [Preface](#) | [Chapter1](#) | [Chapter2](#) | [Chapter3](#) | [Chapter4](#) |
[Chapter5](#) | [Chapter6](#) | [AppendixA](#) | [AppendixB](#) | [AppendixC](#) |
[AppendixD](#) | [AppendixE](#) | [AppendixF](#) | [ALL](#) |

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